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Slow Road to China

American businessmen who expect to make a killing in trade with mainland China are dreaming—a pipe dream.

For one thing, much of what American companies have to sell simply doesn't interest the Chinese. Coca-Cola discovered this when it opened a plant in China. Though Coke has sold well in other countries, the average Chinese complains it's not only too expensive but tastes like medicine. As for high-technology items, the communist Chinese are not the kind of repeat customers that hard-driving American salesmen yearn for. If the Chinese do find a computer or other sophisticated piece of machinery they like, they won't buy in quantity like most countries. As one U.S. official explained only half-jokingly: "They buy two of them: one to use, and one to take apart and copy."

U.S. sales to China have increased significantly in the years since the breach in the bamboo curtain—from about $5 million in 1971 to $5.3 billion last year. But for a potential market of 1 billion customers, that's less than awe-inspiring.

The amount of trade China conducts with other countries can't be pinned down, though Japan is the acknowledged leader in whatever exploitation of the mainland market there has been. A secret CIA report explained the difficulties in making estimates from the usual trade data, noting: "Actual Chinese procedures for recording trade may differ from ours, for example, with respect to the accounting . . . and the treatment of aid goods and freight and insurance charges." The CIA's guesswork must be based on "fragmentary information," because the countries involved don't share the data with the West. And the information that is made public is often unreliable.

American businessmen are likely to find the Chinese difficult to deal with. One secret State Department assessment observes that the Chinese "are very punctilious and courteous throughout negotiations, but also very tough."

One problem peculiar to the Peking regime is its combination of doctrinaire Marxism and traditional Chinese xenophobia. A top-secret Defense Intelligence Agency appraisal, reviewed by my associate Dale Van Atta, tells how this works:

"One significant problem is the inability of the Chinese workers to absorb vast imports of advanced technology. All levels of the work force, from the laboratory to the factory, will have difficulty in rapidly assimilating these high-technology imports."

The appraisal continues: "While the whole-plant purchase tends to mitigate this situation somewhat, increasing numbers of foreign advisers will be required for the construction of these facilities. The presence of foreign advisers in China is anathema to communists of all philosophical persuasions and represents a problem that will grow if technology imports are expanded."

To avoid the painful necessity of having foreign advisers around, the Chinese—as one example—bought not only some U.S. aircraft engines but an entire factory to produce more. The American manufacturer obligingly shipped more than 27 tons of drawings and specifications to the Chinese effectively shutting itself out of future sales.

Perhaps the most serious drawback to the Chinese market—from the American businessman's point of view—is that they don't have the money to buy much. Peking's foreign reserves are less than $3 billion.

And unlike many reckless Third World countries, China is reluctant to borrow the funds it needs for foreign purchases. This has given Peking a high credit rating that is probably undeserved. The regime might be unable to handle large, long-term loans any better than Poland, Mexico and Brazil.

Instead, the Chinese like to pay for their imports in cash or using various barter schemes, such as payment in kind or reimbursing the foreign supplier of factory equipment with goods the factory produces in the future.